

## Message Text

LIMITED OFFICIAL USE

PAGE 01 PARIS 15170 01 OF 05 112229Z  
ACTION EUR-12

INFO OCT-01 ISO-00 OIC-02 XMB-02 STR-07 AID-05 CEA-01  
CIAE-00 COME-00 EB-08 EA-10 FRB-03 INR-10 IO-13  
NEA-11 NSAE-00 OPIC-03 SP-02 TRSE-00 LAB-04  
SIL-01 AGRE-00 OMB-01 SS-15 ICAE-00 INRE-00  
NSCE-00 SSO-00 L-03 /114 W  
-----075493 112303Z /70

O 112102Z MAY 78  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC IMMEDIATE 1403

LIMITED OFFICIAL USE SECTION 01 OF 05 PARIS 15170

USOECD

E.O. 11652: N/A  
TAGS: EGEN, OECD  
SUBJECT: OECD MINISTERIAL PREPARATIONS: POSITIVE  
ADJUSTMENT POLICIES

1. BELOW WE TRANSMIT TEXT OF SECGEN'S NOTE ON "POLI-  
CIES FOR ADJUSTMENT: SOME GENERAL ORIENTATIONS" WHICH  
SECGEN PROPOSES BE ENDORSED, IN APPROPRIATE FORM, BY  
JUNE 14-15 MINISTERIAL.

2. SECRETARIAT HAS OUTLINED FOLLOWING SERIES OF  
MEETINGS TO DISCUSS TEXT AND PUT IT IN SHAPE FOR  
MINISTERIAL CONSIDERATION:

- MAY 23 - HEADS OF DELEGATION
- MAY 29 PM (AND MAY 30 PM) - EXPERTS FROM CAPITALS
- EARLY JUNE - HEADS OF DELEGATION AND COUNCIL

AT MAY 23 MEETING, DELEGATIONS ARE REQUESTED TO PROVIDE  
GOVERNMENT POSITIONS ON HOW TEXT  
CAN BE USED FOR MINISTERIAL DECISION. TEXT WILL BE RE-  
VISED FOR SUBMISSION TO EXPERTS. ON MAY 29, EXPERTS  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 15170 01 OF 05 112229Z

((BELOW EPC LEVEL) SHOULD INFORM SECRETARIAT OF REMAIN-  
ING PROBLEMS, EITHER TEXTUAL OR CONCEPTUAL. LEVEL OF  
(AND NECESSITY FOR) JUNE 30 MEETING WOULD DEPEND ON DE-  
GREE OF PERCEIVED DIFFICULTIES, TAKING ADVANTAGE OF PRE-  
SENCE OF SENIOR EPC OFFICIALS. FOLLOW-UP HEADS OF DEL  
WOULD GIVE FINAL REACTIONS FROM CAPITALS, BASED ON DOC-  
UMENT EMERGING FROM JUNE 29-30 MEETINGS.

3. ACTION REQUESTED: MISSION WILL NEED BOTH GENERAL AND TEXTUAL INSTRUCTIONS FROM WASHINGTON BEFORE MAY 23 MEETING. BEGIN TEXT:

POLICIES FOR ADJUSTMENT: SOME GENERAL ORIENTATIONS

1. CERTAIN INDUSTRIES, REGIONS, AND GROUPS IN THE

LABOUR FORCE HAVE BEEN PARTICULARLY HARD HIT BY THE SLOW RECOVERY FROM THE 1974/75 RECESSION, AND IN SOME CASES THESE DIFFICULTIES HAVE BEEN AGGRAVATED BY SPECIAL FACTORS SUCH AS THE RISE IN ENERGY PRICES, THE EMERGENCE OF NEW COMPETITORS, ETC.

2. UNDER CONDITIONS OF ABNORMALLY HIGH UNEMPLOYMENT, THERE HAS BEEN A SHORT-TERM CASE TO MEET THESE DIFFICULTIES BY SELECTIVE MEASURES DESIGNED TO MAINTAIN EXISTING EMPLOYMENT AND PRESERVE EXISTING INDUSTRIAL CAPACITY. OVER TIME, HOWEVER, THERE IS LIKELY TO BE A DETERIORATION IN THE TRADE-OFF BETWEEN THE SHORT-TERM ECONOMIC AND SOCIAL BENEFITS FROM SUCH MEASURES AND THEIR LONGER-RUN COSTS. ACTION TO PROVIDE HELP AT THE SPECIFIC POINT AT WHICH LABOUR IS ABOUT TO BE LAID OFF, OR COMPANIES TO GO OUT OF BUSINESS, WILL, IF ROLLED FORWARD, OFTEN TURN OUT TO BE ACTION TO SUPPORT EMPLOYMENT WHERE LABOUR IS BEING USED LEAST EFFICIENTLY OR TO PRODUCE PRODUCTS FOR WHICH THERE IS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PARIS 15170 01 OF 05 112229Z

NO LONGER A MARKET. THE ECONOMY WILL GRADUALLY BECOME BOTH LESS PRODUCTIVE AND MORE INFLATION-PRONE. MOREOVER, SUCH DOMESTIC MEASURES MAY HAVE MUCH THE SAME EFFECT AS PROTECTION AT THE FRONTIER IN ENABLING INEFFICIENT PRODUCERS TO COMPETE WITH FOREIGN SUPPLIERS AND IN DELAYING NECESSARY STRUCTURAL ADJUSTMENTS. THEY MAY BOTH CREATE A VESTED INTEREST IN PROTECTION IN THE COUNTRY CONCERNED, AND PROVOKE PROTECTIONIST REACTIONS IN OTHER COUNTRIES.

3. IT IS DIFFICULT FOR COUNTRIES TO SHIFT AWAY FROM DEFENSIVE ACTION TO PROP UP WEAK SECTORS UNLESS OVERALL DEMAND IS RISING FAST ENOUGH TO PROVIDE ALTERNATIVE EMPLOYMENT ELSEWHERE. EQUALLY, HOWEVER, UNLESS THERE IS A PROGRESSIVE SHIFT AWAY FROM THESE DEFENSIVE POLICIES, FASTER GROWTH WILL PROVE SHORT-LIVED. WITH

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 PARIS 15170 02 OF 05 112239Z

ACTION EUR-12

INFO OCT-01 ISO-00 OIC-02 XMB-02 STR-07 AID-05 CEA-01

CIAE-00 COME-00 EB-08 EA-10 FRB-03 INR-10 IO-13

NEA-11 NSAE-00 OPIC-03 SP-02 TRSE-00 LAB-04

SIL-01 AGRE-00 OMB-01 SS-15 ICAE-00 INRE-00

NSCE-00 SSO-00 L-03 /114 W

-----075591 112306Z /70

O 112102Z MAY 78

FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 1404

LIMITED OFFICIAL USE SECTION 02 OF 05 PARIS 15170

USOECD

LABOUR AND CAPITAL LOCKED INTO DECLINING ACTIVITIES, BOTTLENECKS WILL EMERGE AND RENEWED INFLATION WILL ABORT THE RECOVERY. A PROGRESSIVE SHIFT TO MORE POSITIVE ADJUSTMENT POLICIES MUST, THEREFORE, BE AN INTEGRAL PART OF THE PROGRAMME OF CONCERTED ACTION FOR MORE SUSTAINED AND BETTER BALANCED GROWTH IN THE WORLD ECONOMY.

4. WHILE THERE IS A CLOSE INTER-RELATIONSHIP BETWEEN GROWTH AND ADJUSTMENT POLICIES, IT SHOULD NOT BE INTERPRETED RIGIDLY. IN SOME CASES, ACTION CAN, AND SHOULD, BE TAKEN IN ADVANCE OF ACHIEVING FASTER GROWTH: FOR EXAMPLE, WHERE THE BUDGETARY COSTS HAVE BECOME TOO HIGH, OR WHERE JOB LOSSES HAVE TO BE ACCEPTED IN THE INTERESTS OF IMPROVING THE INDUSTRIAL STRUCTURE AND COMPETITIVE STRENGTH OF COUNTRIES WHOSE SCOPE FOR EXPANSION IS LIMITED BY A WEAK BALANCE-OF-PAYMENTS POSITION. ON THE OTHER HAND, THERE MAY BE CASES WHERE THE PHASING OUT OF TEMPORARY MEASURES WITH A HIGH SHORT-TERM SOCIAL RETURN AND RELATIVELY LOW SHORT-TERM ECONOMIC COST CAN

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 15170 02 OF 05 112239Z

BE LEFT UNTIL APPRECIABLE PROGRESS HAS BEEN MADE IN REDUCING UNEMPLOYMENT.

5. IN SUM, A REASONABLY STRONG RISE IN AGGREGATE DEMAND IS REQUIRED IF GOVERNMENTS ARE TO SHIFT TO MORE POSITIVE ADJUSTMENT POLICIES, BUT THE RISE IN DEMAND WILL NOT BE SUSTAINABLE UNLESS SUCH A SHIFT IS STARTED AT THE EARLIEST POSSIBLE OPPORTUNITY.

#### INDUSTRIAL POLICY

6. IN RESPONDING TO REQUESTS FOR HELP FROM INDUSTRIES AND COMPANIES IN FINANCIAL DIFFICULTY, IT SHOULD BE RECOGNISED THAT UNDER NORMAL CONDITIONS THERE IS USUALLY A PRESUMPTION AGAINST SELECTIVE ACTION TO ASSIST LOSS-MAKING ACTIVITIES IN FAVOUR OF MORE GENERAL MEASURES. WHERE THE DIFFICULTIES BEING ENCOUNTERED ARE MAINLY CYCLICAL, THEY WILL NORMALLY BE BEST HANDLED BY MEASURES TO FACILITATE ACCESS TO EXTERNAL SOURCES OF FINANCE AND TO RAISE DEMAND AND IMPROVE PROFITABILITY IN THE ECONOMY AS A WHOLE. EVEN WHERE THE DIFFICULTIES ARE MORE DEEP-SEATED, REFLECTING UNANTICIPATED ADVERSE TRENDS IN DEMAND OR COMPETITION FROM OTHER SOURCES OF SUPPLY, INTERVENTION WILL NORMALLY ONLY BE JUSTIFIED IF THE SOCIAL COSTS OF THE NECESSARY ADJUSTMENTS ARE LIKELY TO COME THROUGH AT AN UNACCEPTABLY FAST RATE AND CANNOT BE ADEQUATELY HANDLED THROUGH OTHER INSTRUMENTS OF POLICY.

7. CASES WHERE SELECTIVE ACTION TO PROTECT OR SUPPORT SPECIFIC SECTORS OR COMPANIES IN FINANCIAL DIFFICULTY CAN BE JUSTIFIED ARE LIKELY TO BE RELATIVELY RARE. WHERE, NEVERTHELESS, A GOVERNMENT FINDS ITSELF INVOLVED LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PARIS 15170 02 OF 05 112239Z

IN SUCH ACTION, EXPERIENCE HAS SHOWN THE IMPORTANCE OF A NUMBER OF GENERAL GUIDELINES:-

(I) ACTION SHOULD BE ENACTED ON A TEMPORARY BASIS AND SHOULD, WHEREVER POSSIBLE, BE REDUCED PROGRESSIVELY ACCORDINGLY TO A PRE-ARRANGED TIMETABLE.

(II) SUCH ACTION SHOULD BE INTEGRALLY LINKED TO THE IMPLEMENTATION OF PLANS TO PHASE OUT OBSOLETE CAPACITY AND RE-ESTABLISH FINANCIALLY VIABLE ENTITIES.

(III) THE COSTS SHOULD BE MADE AS EVIDENT AS POSSIBLE TO DECISION-MAKERS AND THE PUBLIC AT LARGE. CAREFUL ATTENTION SHOULD BE PAID TO THE COSTS TO CONSUMERS OF ACTION WHICH RAISES PRICES AND TO THE EFFECTS OF SUBSIDISED COMPETITION ON OTHER COMPANIES AND EMPLOYMENT ELSEWHERE.

(IV) WHERE PUBLIC FUNDS ARE BEING INJECTED, IT IS  
DESIRABLE THAT PRIVATE RISK CAPITAL SHOULD BE

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 PARIS 15170 03 OF 05 112245Z  
ACTION EUR-12

INFO OCT-01 ISO-00 OIC-02 XMB-02 STR-07 AID-05 CEA-01  
CIAE-00 COME-00 EB-08 EA-10 FRB-03 INR-10 IO-13  
NEA-11 NSAE-00 OPIC-03 SP-02 TRSE-00 LAB-04  
SIL-01 AGRE-00 OMB-01 SS-15 ICAE-00 INRE-00  
NSCE-00 SSO-00 L-03 /114 W  
-----075668 112308Z /70

O 112102Z MAY 78  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC IMMEDIATE 1405

LIMITED OFFICIAL USE SECTION 03 OF 05 PARIS 15170

USOECD

INVOLVED.

(V) SINCE ASSISTANCE GIVEN ON A COMPANY-BY-COMPANY  
BASIS CAN PROVIDE AN INCENTIVE TO BAD MANAGEMENT,  
THE ARRANGEMENTS SHOULD BE FRAMED SO AS TO KEEP THIS  
IN CHECK THROUGH DOMESTIC AND INTERNATIONAL COMPETITION.

(VI) WHERE THE PRIMARY OBJECTIVE IS TO SUPPORT  
EMPLOYMENT IN PARTICULAR REGIONS OR TOWNS, CONSIDER-  
ATION SHOULD BE GIVEN TO MAKING ASSISTANCE AVAILABLE TO  
ALL COMPANIES IN THE AREA CONCERNED RATHER THAN ONLY TO  
THOSE IN LINANCIAL DIFFICULTY.

(VII) ARGUMENTS FOR PROTECTION AND SUPPORT BASED ON  
CONSIDERATIONS OF NATIONAL SECURITY SHOULD BE SCRUTINI-  
SED WITH PARTICULAR CARE.

8. TO VARYING DEGREES, OECD GOVERNMENTS HAVE TRIED  
TO FOLLOW POSITIVE INDUSTRIAL POLICIES AIMED AT "PICK-  
ING THE WINNERS". EXPERIENCE SHOWS, HOWEVER, THAT  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 15170 03 OF 05 112245Z

THIS IS FAR FROM EASY, PARTICULARLY FOR INDUSTRIAL COUNTRIES AT THE FRONTIERS OF CHANGING TASTES AND TECHNOLOGICAL PROGRESS, AND POSSESSING ROUGHLY SIMILAR FACTOR ENDOWMENTS AND MANAGEMENT SKILLS.

9. THERE ARE, HOWEVER, VARIOUS DIRECTIONS IN WHICH POLICY CAN SEEK TO SUPPLEMENT MARKET FORCES IN PROMOTING DESIREABLE DEVELOPMENTS:

(I) THERE ARE CERTAIN AREAS WHERE IT IS REASONABLE FOR GOVERNMENTS TO ASSUME THAT MARKETS ARE NOT FULLY ANTICIPATING FUTURE ECONOMIC AND SOCIAL NEEDS. THIS APPLIES TO INNOVATION AND INVESTMENT IN PRODUCING AND SAVING ENERGY; IT ALSO APPLIES, FOR EXAMPLE, TO IMPROVEMENTS IN ENVIRONMENTAL QUALITY, HEALTH CARE AND URBAN INFRA-STRUCTURE.

(II) RECENT DIFFICULTIES HAVE CAUSED MANY COMPANIES TO REDUCE LONG-TERM RESEARCH IN ADVANCED TECHNOLOGIES INVOLVING LARGE INVESTMENTS, IN FAVOUR OF RESEARCH TO MEET MORE IMMEDIATE REQUIREMENTS. GOVERNMENTS SHOULD, THEREFORE, DO MORE TO ENCOURAGE LONG-TERM RESEARCH BY MEANS OF A PROPER MIXTURE OF GENERAL INCENTIVES AND SHARED-RISK DEVELOPMENT POLICIES, AS WELL AS PROMOTING RESEARCH IN GOVERNMENT INSTITUTES AND UNIVERSITIES.

(III) SINCE MUCH TECHNOLOGICAL PROGRESS AND RESPONSE TO CHANGED DEMANDS HAS COME FROM SMALL AND MEDIUM-SIZED COMPANIES, THERE IS A GOOD CAUSE FOR STRENGTHENING POLICIES DESIGNED TO ENSURE THAT THEY HAVE ADEQUATE ACCESS TO VENTURE CAPITAL AND

LIMITED OFFICIAL USE

PAGE 03 PARIS 15170 03 OF 05 112245Z

INCENTIVES TO INNOVATE, SPECIALISE AND MODERNISE.

(IV) GOVERNMENTS COULD ALSO DO MORE TO REDUCE UNCERTAINTIES CAUSED BY THEIR OWN POLICY ACTIONS: EFFORTS TO MAINTAIN BETTER CO-ORDINATION AND CLARITY IN GOVERNMENT REGULATIONS, PARTICULARLY THOSE REGARDING SAFETY, HEALTH AND THE ENVIRONMENT.

EMPLOYMENT AND MANPOWER POLICIES

10. THE LONGER SLOW GROWTH CONTINUES, THE MORE IMPORTANT IT BECOMES TO ENSURE THAT MEASURES TO PROTECT EMPLOYMENT DO NOT PRESERVE UNVIALE INDUSTRIAL STRUCTURES, IMPEDE TECHNOLOGICAL CHANGE AND DISTORT TRADE FLOWS. THE VERY SUCCESS OF SUCH POLICIES IN ALLEVIATING UNEMPLOYMENT CAN LEAD TO STRONG PRESSURES TO CARRY THEM FORWARD INTO THE MEDIUM TERM.

11. THERE IS A PARTICULARLY STRONG LINK HERE BETWEEN SUCCESS IN ACHIEVING FASTER GROWTH AND THE POSSIBILITIES FOR SHIFTING TO MORE POSITIVE ADJUSTMENT POLICIES. AS THE GENERAL EXPANSION OF OUTPUT GATHERS SUFFICIENT MOMENTUM TO ALLOW FOR A SELF-SUSTAINED GROWTH OF EMPLOYMENT, POLICIES SHOULD BE PROGRESSIVELY MODIFIED ALONG THE FOLLOWING LINES:

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 PARIS 15170 04 OF 05 112256Z  
ACTION EUR-12

INFO OCT-01 ISO-00 OIC-02 XMB-02 STR-07 AID-05 CEA-01  
CIAE-00 COME-00 EB-08 EA-10 FRB-03 INR-10 IO-13  
NEA-11 NSAE-00 OPIC-03 SP-02 TRSE-00 LAB-04  
SIL-01 AGRE-00 OMB-01 SS-15 ICAE-00 INRE-00  
NSCE-00 SSO-00 L-03 /114 W  
-----075749 112313Z /70

O 112124Z MAY 78  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC IMMEDIATE 1406

LIMITED OFFICIAL USE SECTION 4 OF 5 PARIS 15170

IN GOVERNMENT REGULATIONS, PARTICULARLY THOSE REGARDING SAFETY, HEALTH AND THE ENVIRONMENT.

EMPLOYMENT AND MANPOWER POLICIES

10. THE LONGER SLOW GROWTH CONTINUES, THE MORE IMPORTANT IT BECOMES TO ENSURE THAT MEASURES TO PROTECT EMPLOYMENT DO NOT PRESERVE UNVIALE INDUSTRIAL STRUCTURES, IMPEDE TECHNOLOGICAL CHANGE AND DISTORT

TRADE FLOWS. THE VERY SUCCESS OF SUCH POLICIES IN ALLEVIATING UNEMPLOYMENT CAN LEAD TO STRONG PRESSURES TO CARRY THEM FORWARD INTO THE MEDIUM TERM.

11. THERE IS A PARTICULARLY STRONG LINK HERE BETWEEN SUCCESS IN ACHIEVING FASTER GROWTH AND THE POSSIBILITIES FOR SHIFTING TO MORE POSITIVE ADJUSTMENT POLICIES. AS THE GENERAL EXPANSION OF OUTPUT GATHERS SUFFICIENT MOMENTUM TO ALLOW FOR A SELF-SUSTAINED GROWTH OF EMPLOYMENT, POLICIES SHOULD BE PROGRESSIVELY MODIFIED ALONG THE FOLLOWING LINES:

(I) GENERAL INCENTIVES TO PREVENT REDUNDANCIES  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 15170 04 OF 05 112256Z

SHOULD BE PHASED OUT, OR REPLACED BY SCHEMES WHICH ENCOURAGE TAKING ON ADDITIONAL WORKERS.

(II) TEMPORARY JOB CREATION SCHEMES IN THE PUBLIC SECTOR WHOSE PRIMARY AIM IS TO PROVIDE TRANSITIONAL TRAINING AND JOB EXPERIENCE SHOULD BE SCALED DOWN, WHILE CONTINUING TO DEVELOP PROGRAMMES DESIGNED TO MEET LEGITIMATE NEEDS FOR INCREASED PUBLIC SERVICES.

(III) PROGRAMMES SHOULD BE TARGETED MORE DIRECTLY TO BENEFIT CLEARLY-DEFINED GROUPS ENCOUNTERING STRUCTURAL EMPLOYMENT PROBLEMS (YOUTH, WOMEN, MINORITIES).

(IV) THERE SHOULD BE RENEWED EMPHASIS ON SUPPLY MEASURES SUCH AS TRAINING, MOBILITY AND PLACEMENT TO FACILITATE ADJUSTMENT TO SHIFTING DEMANDS, TECHNOLOGICAL PROGRESS AND CHANGING PATTERNS OF TRADE.

12. ACTION IS ALSO NECESSARY TO REDUCE THE RIGIDITIES AND DISTORTIONS IN THE LABOUR MARKET WHICH HAVE BECOME INCREASINGLY APPARENT UNDER CONDITIONS OF SLOW GROWTH:

(I) IMPROVED JOB SECURITY CUSHIONS THE IMPACT OF CHANGE ON INDIVIDUALS, GIVES THEM MORE TIME TO ADJUST AND PROVIDES COMPENSATION FOR THE ECONOMIC AND SOCIAL COSTS INVOLVED. AT THE SAME TIME, HOWEVER, IT SLOWS DOWN NECESSARY SHIFTS IN EMPLOYMENT AND INHIBITS THE INVESTMENTS CALLED FOR BY TECHNOLOGICAL CHANGE; UNDER CONDITIONS OF SLOW GROWTH, IT ALSO DISCRIMINATES AGAINST THOSE WITHOUT JOBS. WHERE THIS IS A SERIOUS PROBLEM, THERE IS A GOOD CASE FOR SHIFTING  
LIMITED OFFICIAL USE



LIMITED OFFICIAL USE

PAGE 03 PARIS 15170 04 OF 05 112256Z

MORE OF THE COSTS OF CHANGING JOBS (REDUNDANCY PAYMENTS, RETRAINING, ETC) FROM EMPLOYERS TO SOCIETY AS A WHOLE, EITHER BY TAKING THEM OVER DIRECTLY OR PROVIDING COMEPNSATION THROUGH THE TAX OR TRANSFER SYSTEM.

(II) IN SOME COUNTRIES COMPANIES' ABILITY TO COMPETE IS HAMPERED AND DISTORED BY ARRANGEMENTS FOR FINANCING SOCIAL SECURITY WHICH HAVE THE EFFECT OF LEVYING A HEAVY TAX ON EMPLOYMENT, PARTICULARLY ON THE LOWEST PAID WORKERS. THIS INTRODUCES AN UNNCESSARY BIAS IN FAVOR OF LABOR-SAVING INVESTMENT AND AGAINST LABOR-INTENSIVE ACTIVITIES-- WHICH, PARADOXICALLY, THE GOVERNMENT MAY FIND ITSELF HAVING TO PROTECT OR SUBSIDISE TO ENABLE THEM TO COMPETE WITH COMPETITION FROM "LOW WAGE" COUNTRIES. THE SITUATION IN THIS RESPECT VARIES GREATLY BETWEEN COUNTRIES, BUT IN SOME CASES THERE APPEAR TO BE GOOD GROUNDS FOR SHIFTING FROM WHAT ARE, IN EFFECT, TAXES ON THE USE OF LABOR TO TAXES ON INCOME OR EXPENDITURE.

13. THE CAPACITY AND WILLINGNESS OF LABOR TO ADJUST TO CHANGING EMPLOYMENT PATTERNS,IS ALSO INFLUENCED BY THE ARRANGEMENTS FOR PROVIDING INCOME SUPPORT TO THE UNEMPLOYED. WHILE THESE ENABLE WORKERS TO SPEND MORE TIME LOOKING FOR NEW EMPLOYMENT CONSISTENT WITH THEIR REQUIREMENTS AND PRODUCTIVITY POTENTIAL, THEY MAY, OVER TIME, REDUCE WORK MOTIVATION AND THE WILLINGNESS TO ACCEPT NECESSARY CHANGE. UNDER CONDITIONS OF PERSISTENT SLOW GROWTH, THERE WILL BE AN INCREASING NEED FOR SPECIAL EMPLOYMENT PROGRAMMES DIRECTED AT THE LONG-TERM UNEMPLOYED.

AGRICULTURAL POLICY

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 PARIS 15170 04 OF 05 112256Z

14. NATIONAL POLICIES TOWARDS AGRICULTURE HAVE TRADITIONALLY BEEN INFLUENCED BY BROAD SOCIAL AND POLITICAL OBJECTIVES AND, MORE RECENTLY, BY ENVIRONG-MENTAL CONSIDERATIONS. UNDER CONDITIONS OF SLOWER GROWTH, THESE POLICIES HAVE HELPED TO SUPPORT AGRICULTURAL INCOMES AND EMPLOYMENT AT A TIME WHEN THERE HAVE BEEN FEWER EMPLOYMENT OPPORTUNITIES FOR SURPLUS AGRICULTURAL LABOR IN THE REST OF THE

ECONOMY. OVER TIME, HOWEVER, THIS INVOLVES INCREASING  
COSTS IN TERMS OF SLOWING DOWN PRODUCTIVITY GAINS

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 PARIS 15170 05 OF 05 112254Z  
ACTION EUR-12

INFO OCT-01 ISO-00 OIC-02 XMB-02 STR-07 AID-05 CEA-01  
CIAE-00 COME-00 EB-08 EA-10 FRB-03 INR-10 IO-13  
NEA-11 NSAE-00 OPIC-03 SP-02 TRSE-00 LAB-04  
SIL-01 AGRE-00 OMB-01 SS-15 ICAE-00 INRE-00  
NSCE-00 SSO-00 L-03 /114 W

-----075734 112316Z /70

O 112124Z MAY 78  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC IMMEDIATE 1407

LIMITED OFFICIAL USE SECTION 5 OF 5 PARIS 15170

DOMESTICALLY, AND REDUCING THE BENEFITS OBTAINABLE  
FROM INTERNATIONAL SPECIALISATION BY RECOURSE TO LOW-  
COST SOURCES OF SUPPLY. AT THE SAME TIME, THE  
TENDENCY TOWARDS INCREASED SELF-SUFFICIENCY IN HIGH-  
COST COUNTRIES SHIFTS THE BURDEN OF ADJUSTMENT  
TO THE MORE EFFICIENT PRODUCERS WITH A FURTHER ADVERSE  
IMPACT ON WORLD WELFARE. UNDER PRESENT DIFFICULT  
CONDITIONS, WITH CONTINUING INFLATIONARY DANGERS, IT  
IS PARTICULARLY IMPORTANT TO ENSURE THAT AGRICULTURAL  
POLICIES ARE DESIGNED TO ACHIEVE THEIR SOCIAL AND  
POLITICAL OBJECTIVES AT MINIMUM COST TO THE CONSUMER  
AND TAXPAYER.

REGIONAL POLICY

15. A RECENT OECD REVIEW OF REGIONAL POLICIES NOTED  
THAT THERE HAD BEEN A SHIFT TOWARDS ASSISTANCE WHICH  
WAS NOT REGIONALLY DIFFERENTIATED BUT WENT TO SECTORS  
OR ENTERPRISES FACING SEVERE STRUCTURAL PROBLEMS OR  
OTHER DIFFICULTIES. BUT SINCE SUCH SUPPORT WILL NOT  
HELP TO DEVELOP VIABLE NEW INDUSTRIES IN THE WEAK  
REGIONS, THERE WILL BE A STRONG CASE FOR SHIFTING  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 15170 05 OF 05 112254Z

THE EMPHASIS PROGRESSIVELY BACK TO MEASURES MORE  
LIKELY TO BE BENEFICIAL OVER THE LONGER TERM, SUCH AS  
THE PROVISION OF INFRA-STRUCTURE AND  
REGIONALLY DIFFERENTIATED TAX AND SUBSIDY ARRANGEMENTS.

INTERNATIONAL CO-OPERATION

16. CONTINUATION OF DEFENSIVE MEASURES AND LACK OF  
LONGER-RUN RESTRUCTURING PROGRAMMES IN  
SOME COUNTRIES WILL MAKE IT POLITICALLY DIFFICULT FOR  
OTHERS TO PURSUE THEIR OWN ADJUSTMENT POLICIES.  
COLLECTIVE AGREEMENT ON THE NEED TO SHIFT FROM  
DEFENSIVE TO MORE POSITIVE ADJUSTMENT POLICIES AS PART  
OF A CONCERTED PROGRAMME FOR MORE SUSTAINED AND  
BETTER BALANCED GROWTH WILL MAKE IT EASIER FOR EACH  
MEMBER COUNTRY TO FOLLOW APPROPRIATE DOMESTIC POLICIES,  
AND TO HONOUR ITS COMMITMENTS UNDER THE OECD TRADE  
PLEDGE. IT IS ALSO AN AFFIRMATION OF MEMBER COUNTRIES'  
WILLINGNESS TO ADJUST TO CHANGES IN THEIR TRADE IN  
MANUFACTURES AND OTHER PRODUCTS WITH DEVELOPING COUN-  
TRIES. CONTINUED EFFORTS FOR CO-OPERATION AND  
CO-ORDINATION OF ADJUSTMENT POLICIES IN THE  
APPROPRIATE FORA, WHEREBY CURRENT AND PROSPECTIVE  
DEVELOPMENTS ARE REVIEWED, ANALYSED AND DISCUSSED,  
SHOULD HELP GOVERNMENTS TO FORMULATE POLICIES WHICH  
TAKE INTO ACCOUNT POSSIBLE IMPACTS ON OTHER COUNTRIES  
AND INVOLVE A FAIR SHARING OF THE COSTS OF ADJUST-  
MENT. KATZ

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, PLANNING MEETINGS, MINISTERIAL MEETINGS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 11 may 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978PARIS15170  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780201-0217  
**Format:** TEL  
**From:** PARIS USOECD  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780569/aaaacgou.tel  
**Line Count:** 579  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 9b158ea0-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 11  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 05 may 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2720232  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** OECD MINISTERIAL PREPARATIONS: POSITIVE ADJUSTMENT POLICIES  
**TAGS:** EGEN, FR, OECD  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/9b158ea0-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014